



## Senate

General Assembly

**File No. 340**

*January Session, 2017*

Substitute Senate Bill No. 778

*Senate, March 30, 2017*

The Committee on Energy and Technology reported through SEN. WINFIELD of the 10th Dist. and SEN. FORMICA of the 20th Dist., Chairpersons of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING EXPENSES FOR CONSULTANTS BORNE BY  
TELECOMMUNICATIONS PROVIDERS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 16-8 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective*  
3 *October 1, 2017*):

4 (b) (1) The authority may employ professional personnel to perform  
5 management audits. The authority shall promptly establish such  
6 procedures as it deems necessary or desirable to provide for  
7 management audits to be performed on a regular or irregular schedule  
8 on all or any portion of the operating procedures and any other  
9 internal workings of any public service company, including the  
10 relationship between any public service company and a related  
11 holding company or subsidiary, consistent with the provisions of  
12 section 16-8c, provided no such audit shall be performed on a  
13 community antenna television company, except with regard to any

14 noncable communications services which the company may provide,  
15 or when (A) such an audit is necessary for the authority to perform its  
16 regulatory functions under the Communications Act of 1934, 47 USC  
17 151, et seq., as amended from time to time, other federal law or state  
18 law, (B) the cost of such an audit is warranted by a reasonably  
19 foreseeable financial, safety or service benefit to subscribers of the  
20 company which is the subject of such an audit, and (C) such an audit is  
21 restricted to examination of the operating procedures that affect  
22 operations within the state.

23 (2) In any case where the authority determines that an audit is  
24 necessary or desirable, it may (A) order the audit to be performed by  
25 one of the management audit teams, (B) require the affected company  
26 to perform the audit utilizing the company's own internal  
27 management audit staff as supervised by designated members of the  
28 authority's staff, or (C) require that the audit be performed under the  
29 supervision of designated members of the authority's staff by an  
30 independent management consulting firm selected by the authority, in  
31 consultation with the affected company. If the affected company has  
32 more than seventy-five thousand customers, such independent  
33 management consulting firm shall be of nationally recognized stature.  
34 All reasonable and proper expenses of the audits, including, but not  
35 limited to, the costs associated with the audit firm's testimony at a  
36 public hearing or other proceeding, shall be borne by the affected  
37 companies and shall be paid by such companies at such times and in  
38 such manner as the authority directs, provided such reasonable and  
39 proper expenses borne by a (i) public service company providing  
40 telecommunications services, (ii) telecommunications company, or (iii)  
41 person seeking certification to provide telecommunications services,  
42 shall not exceed two hundred thousand dollars per calendar year for  
43 all dockets and audits performed pursuant to this section and section  
44 16-18a, as amended by this act.

45 (3) For purposes of this section, a complete audit shall consist of (A)  
46 a diagnostic review of all functions of the audited company, which  
47 shall include, but not be limited to, documentation of the operations of

48 the company, assessment of the company's system of internal controls,  
49 and identification of any areas of the company which may require  
50 subsequent audits, and (B) the performance of subsequent focused  
51 audits identified in the diagnostic review and determined necessary by  
52 the authority. All audits performed pursuant to this section shall be  
53 performed in accordance with generally accepted management audit  
54 standards. The authority shall adopt regulations in accordance with  
55 the provisions of chapter 54 setting forth such generally accepted  
56 management audit standards. Each audit of a community antenna  
57 television company shall be consistent with the provisions of the  
58 Communications Act of 1934, 47 USC 151, et seq., as amended from  
59 time to time, and of any other applicable federal law. The authority  
60 shall certify whether a portion of an audit conforms to the provisions  
61 of this section and constitutes a portion of a complete audit.

62 (4) A complete audit of each portion of each gas company or electric  
63 distribution company having more than seventy-five thousand  
64 customers shall begin no less frequently than every six years, so that a  
65 complete audit of such a company's operations shall be performed  
66 every six years. Such an audit of each such company having more than  
67 seventy-five thousand customers shall be updated as required by the  
68 authority.

69 (5) The results of an audit performed pursuant to this section shall  
70 be filed with the authority and shall be open to public inspection.  
71 Upon completion and review of the audit, if the person or firm  
72 performing or supervising the audit determines that any of the  
73 operating procedures or any other internal workings of the affected  
74 public service company are inefficient, improvident, unreasonable,  
75 negligent or in abuse of discretion, the authority may, after notice and  
76 opportunity for a hearing, order the affected public service company to  
77 adopt such new or altered practices and procedures as the authority  
78 shall find necessary to promote efficient and adequate service to meet  
79 the public convenience and necessity. The authority shall annually  
80 submit a report of audits performed pursuant to this section to the  
81 joint standing committee of the General Assembly having cognizance

82 of matters relating to public utilities which report shall include the  
 83 status of audits begun but not yet completed and a summary of the  
 84 results of audits completed. Any such report may be submitted  
 85 electronically.

86 (6) All reasonable and proper costs and expenses that are consistent  
 87 with the provisions of subdivision (2) of this subsection, as determined  
 88 by the authority, of complying with any order of the authority  
 89 pursuant to this subsection shall be recognized by the authority for all  
 90 purposes as proper business expenses of the affected company.

91 (7) After notice and hearing, the authority may modify the scope  
 92 and schedule of a management audit of a telephone company which is  
 93 subject to an alternative form of regulation so that such audit is  
 94 consistent with that alternative form of regulation.

95 Sec. 2. Section 16-18a of the general statutes is amended by adding  
 96 subsection (d) as follows (*Effective October 1, 2017*):

97 (NEW) (d) Notwithstanding subsections (a) and (c) of this section,  
 98 all reasonable and proper expenses of any consultants and consultant  
 99 services borne by a (1) public service company providing  
 100 telecommunications services, (2) telecommunications company, or (3)  
 101 person seeking certification to provide telecommunications services,  
 102 shall not exceed two hundred thousand dollars per calendar year for  
 103 all dockets and audits performed pursuant to this section and section  
 104 16-8, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2017	16-8(b)
Sec. 2	October 1, 2017	16-18a

Section 1	October 1, 2017	16-8(b)
Sec. 2	October 1, 2017	16-18a

**ET**            *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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***OFA Fiscal Note******State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill limits the amount, to \$200,000 per year, that a telecommunications company must pay for expenses associated with: (1) audits as required by the Public Utilities Regulatory Authority (PURA), (2) consultants retained by PURA or the Office of Consumer Council (OCC), or the Department of Energy and Environmental Protection (DEEP) for certain proceedings or negotiations.

There is no fiscal impact to the state or municipalities, as the bill applies to telecommunication and public service companies.

***The Out Years******State Impact:*** None***Municipal Impact:*** None

**OLR Bill Analysis****sSB 778*****AN ACT CONCERNING EXPENSES FOR CONSULTANTS BORNE BY TELECOMMUNICATIONS PROVIDERS.*****SUMMARY**

This bill limits to \$200,000 per calendar year the total amount a telecommunications company must pay for reasonable and proper expenses for:

1. audits determined necessary by the Public Utilities Regulatory Authority (PURA),
2. consultants and consultant services retained by PURA or the Office of Consumer Council (OCC) to assist agency staff during PURA proceedings, and
3. consultants retained by PURA or the Department of Energy and Environmental Protection (DEEP) for proceedings before or negotiations with federal agencies (see BACKGROUND).

The bill applies to telecommunications companies, public service companies providing telecommunication services, and anyone seeking certification to provide telecommunication services.

By law, PURA may require public service companies, including telecommunications companies, to undergo audits if the authority determines it is necessary or desirable.

EFFECTIVE DATE: October 1, 2017

**BACKGROUND*****Consultants in PURA and Federal Proceedings***

By law, PURA and OCC may retain consultants to assist in PURA

proceedings, but cannot charge more than:

1. \$200,000 per agency per proceeding for companies with more than 15,000 customers and
2. \$50,000 per agency per proceeding for companies with less than 15,000 customers.

But PURA and the OCC may exceed these limits for good cause.

For federal proceedings, the law requires these companies to pay in proportion to their revenues and limits such expenses to \$2.5 million per year, unless PURA finds good cause to exceed that limit.

### **COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable Substitute

Yea    24    Nay   0    (03/16/2017)